No. 06-1455

IN THE

Supreme Court of the United States

EML TECHNOLOGIES, LLC,
AND
COSTCO WHOLESALE CORPORATION,

Petitioners,

v.

DESA IP, LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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RULE 29.6 STATEMENT

Petitioners' corporate disclosure statement was set forth on page ii of its Petition for Writ of Certiorari, and there are no amendments to that statement.

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INTRODUCTION

DESA's challenges to the Petition for Writ of Certiorari do not withstand scrutiny. DESA's primary argument is that Petitioners did not raise the issue presented in their Petition in the courts below. This argument fails on several grounds. First, DESA fails to cite any authority showing a jurisdictional bar. It cannot. Second, the prudential reasons for denial of a petition do not apply. The issue of the standard of appellate review does not arise in district courts, nor could it have been pressed initially on appeal since there is no split of authority between the circuits (the Court of Appeals for the Federal Circuit has sole jurisdiction over patent issues). Further, since the issue presented here is purely one of law and devolves mainly from a disputed interpretation of this Court's intent in *Markman II*, there is no further record which requires development. Third, the question presented was pressed and passed upon below. The Petitioners raised this issue at the first appropriate opportunity in their Petition for Rehearing to the Federal Circuit when they argued (1) that Federal Circuit authority specifically authorizes the admission of extrinsic evidence concerning relevant scientific principles and the meaning of technical terms, and (2) that weight should be given to the claim interpretation of the district court, based as it was on a lengthy *Markman* hearing and presentation of evidence. Indeed, Petitioners even quoted at length from the dissent of Judge Rader in *Cybor Corp. v. FAS Techs.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*), the case at issue here. Thus, the issue was not only adequately raised by Petitioners at the first opportunity, it was passed upon below where the Federal Circuit denied the Petition for Rehearing.

DESA also argues that the district court made no factual findings. This argument elevates form over substance. Under the *Cybor* regime, district courts have been forced into what one district court has characterized as a "land of sophistry

and fiction." *Lucas Aerospace, Ltd. v. Unison Indus., L.P.*, 890 F. Supp. 329, 333-34 n.7, 36 U.S.P.Q.2d (BNA) 1235, 1239 n.7 (D. Del. 1995). Because of *Cybor*, the district court did not *label* its findings as factual findings and specifically set them out. But the district court unquestionably made factual findings, and as set forth in the Petition, the Federal Circuit specifically elected to reject those findings.

Finally, DESA argues that the Petition asks this Court to review scientific fact. This is simply wrong. The Petition asks this Court to address the *Cybor* standard of *de novo* review. The Court is not being asked to rule on the underlying merits of the claim construction, but rather simply to ensure that the Federal Circuit pays proper deference to the scientific facts, as found by the district court and shown in the underlying record, when it reviews on appeal the claim construction of the district court.

ARGUMENT

I. The Issue Of The Proper Standard Of Review Is Properly Before This Court

A. DESA Points To No Jurisdictional Bar

DESA fails to cite any authority showing a jurisdictional bar to the Petition. There is none. *Yee v. City of Escondido*, 503 U.S. 519, 533 (1992).

B. DESA Fails To Show Any Prudential Reason To Deny The Petition

Contrary to DESA's assertions, the issue was raised before the Federal Circuit. But even if it had not been raised, there are no prudential reasons to deny the petition. The standard of appellate review is not a substantive rule of patent

law, unlike for example the doctrine of equivalents or prosecution history estoppel, that could arise for consideration in the district court. Nor was there any basis in the initial appellate briefing to the Federal Circuit to raise the *Cybor* standard of *de novo* review as an issue to be addressed. The Standard of Review section of Petitioners' appellate brief simply stated what Petitioners acknowledge is the prevailing standard used by the Federal Circuit. Indeed, there was no actual issue until the Federal Circuit, using the standard of *de novo* review, violated its own conflicting standard that patent claims must be construed from the perspective of one of skill in the art and ignored the factual findings of the district court showing how the claims must necessarily be understood from that scientific perspective. As set forth below, Petitioners did adequately raise the issue herein at the first opportunity — in their Petition for Rehearing.

As stated in *Bankers Life & Casualty Co. v. Crenshaw*, 486 U.S. 71, 79 (1988):

> In determining whether to exercise jurisdiction over questions not properly raised below, the Court has focused on the policies that animate the "not pressed or passed upon below" rule. These policies are first, comity to the States, and second, a constellation of practical considerations, chief among which is our own need for a properly developed record on appeal.

Here, even if the question had not been properly raised below (and it was), DESA has failed to show any policy consideration that would bar review. The issue raised in the Petition is purely legal: the deference that should be accorded to a district court's factual determinations when a district court construes the meaning of patent claims. The record is unambiguous that the Federal Circuit paid no deference to

the factual findings of the district court, and there is plainly a ripe dispute and a significant prospect that under a different and proper standard of review the claim construction of the district court would have been affirmed. Indeed, while a split of authority among the circuits is not possible given that all patent cases are handled solely by the Federal Circuit, as shown in the Petition there is a plain split of opinion *within* the Federal Circuit on the question of the proper standard of review.

C. The Issue Was Appropriately Raised And Passed On Below

In *United States v. Williams*, 504 U.S. 36 (1992), the Court observed that: "The first point discussed in respondent's brief opposing the petition was captioned 'The 'Question Presented' in the Petition Was Never Raised Below.'" *Id.* at 40. The Court rejected that argument, stating:

> Our traditional rule, as the dissent correctly notes, precludes a grant of certiorari only when "the question presented was not pressed or passed upon below." *Post*, at 58 (internal quotation marks omitted). That this rule operates (as it is phrased) in the disjunctive, permitting review of an issue not pressed so long as it has been passed upon, is illustrated by some of our more recent dispositions.

Id. at 41.

The same should apply here. DESA argues that: "This Court has a history of considering patent law issues only after the Court of Appeals for the Federal Circuit has fully explicated its views on the issue presented." That is exactly the case here. The Federal Circuit explicated its views in *Cybor*, and the application of those views is found in the

Federal Circuit's decision to ignore the scientific evidence as found by the district court and, using a standard of *de novo* review, to arrive at a claim construction at odds with its own rule that patent claims must be interpreted from the perspective of one of skill in the art.

Further, Petitioners adequately raised this issue in their Petition for Rehearing to the Federal Circuit. In their Petition for Rehearing, Petitioners argued that the Federal Circuit's own standards make the inquiry into claim meaning an objective one that encompasses consideration of evidence concerning scientific principles. As Petitioners stated in that Petition for Rehearing at pages 12-13 (emphasis in original):

> In *Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 381 F.3d 1111 (Fed. Cir. 2004), this Court made it clear that a court construing a patent claim seeks to accord a claim the meaning it would have to a person of ordinary skill in the art at the time of the invention; that the inquiry into the meaning that the claim terms would have to a person of ordinary skill in the art at the time of the invention is an objective one; and, this being the case, a court looks to those sources available to the public that show what a person of skill in the art would have understood disputed claim language to mean; and that those sources include the words of the claims themselves, the remainder of the specification, the prosecution history, and ***extrinsic evidence concerning relevant scientific principles, the meaning of technical terms***, and a state-of-the-art.
>
> . . . .

> These principles were ***explicitly reaffirmed*** by this Court *en banc* in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc) by quoting the above *Innova* language, which ***explicitly authorizes*** the use of "extrinsic evidence concerning relevant scientific principles [and], the meaning of technical terms," with express approval.

Petitioners further cited to the fact-finding of the district court, and even explicitly quoted portions of Judge Rader's dissent in *Cybor* at pages 14-15 of their Petition for Rehearing (emphasis in original):

> The District Court not only received and considered extensive briefing, but also conducted a ***two day*** Markman trial in which she heard testimony from five different technical experts, two patent experts, observed technical demonstrations presented by both parties, together with literally hours of opening statements and closing argument in which she took the opportunity to pose questions to and receive answers from counsel.
>
> The resources the District Court devoted to claim interpretation vastly exceed the resources which have been available to the panel. In his lengthy dissent in *Cybor Corp. v. FAS Tech., Inc.*, 138 F.3d 1448, 1477-78 (Fed. Cir. 1998) (*en banc*), Judge Rader argued that this Court should not adopt a hard and fast rule *against* giving weight to the factual findings of trial courts in claim interpretation, but should instead adopt a functional rule as favored by the United States

Supreme Court. His comments presciently describe the situation here:

> [T]the trial judge enjoys a potentially superior position to engage in claim interpretation. For the complex case where the claim language and specification do not summarily dispose of claim construction issues, the trial court has tools to acquire and evaluate evidence that this court lacks. Trial judges can spend hundreds of hours reading and rereading all kinds of source material, receiving tutorials on technology from leading scientists, formally questioning technical experts and testing their understanding against that of various experts, examining on site the operation of the principles of the claimed invention, and deliberating over the meaning of the claim language. If district judges are not satisfied with the proofs proffered by the parties, they are not bound to a prepared record but may compel additional presentations or even employ their own court-appointed expert.
>
> An appellate court has none of these advantages. It cannot depart from the record of the trial proceedings. To properly marshal its resources, the appellate bench must enforce strict time and page limits in oral and written presentations (footnote omitted). Moreover a sterile written record can

> never convey all the nuances and intangibles of the decisional process. Indeed a careful consideration of the institutional advantages of the district court would counsel deference. This court's categorical response that claim interpretation involves no factual assessments does not advance a functional analysis of trial and appellate roles in claim construction. As a matter of fact (so to speak), claim construction requires assessment of custom and usage in the relevant art, assessment of events during prosecution, assessment of the level of ordinary skill in the art, assessment of the understanding of skilled artisans at the time of invention-to name just a few factual components of the complex process of claim interpretation. A careful functional analysis counsels deference for district court claim interpretations.

As shown by the above, the issue was adequately raised in Petitioners' Petition for Rehearing, and passed upon when that Petition for Rehearing was denied. And this Court's own precedent shows that certiorari is appropriate where an issue is raised for the first time in a petition for rehearing. *Lehman Bros. v. Schein*, 416 U.S. 386, 393 (1974) (Rehnquist, J. concurring).

II. The District Court Made Factual Findings, Even If Not Explicitly Labeled As Such

DESA makes the curious argument that the district court did not make factual findings. One need only review the ruling of the district court to see that the district court did

make both findings of fact and credibility determinations. (App. 9a to 41a.) In rejecting the findings of the district court, the Federal Circuit specifically rejected expert testimony on which the district court had relied. (App. 10a-11a.)

What is true is that the district court did not label its factual findings as such. But this is an artifact of the *de novo* standard of review, one which results in making the *Markman* process into something of a sham. District courts plainly do engage in fact finding in construing claims — they must, since a patent is a technical document as well as a legal document, and the charge of the district courts is to construe claims from the perspective of one of skill in the art. But under a standard of *de novo* review, since such factual findings are currently given no deference, they are not properly set out and identified as such in most district courts' decisions. One reason for granting the Petition is to cure a defective process which forces district courts into the "sophistry and fiction" of pretending that there are no factual determinations underlying claim construction. *Lucas Aerospace, Ltd. v. Unison Indus., L.P.*, 890 F. Supp. 329, 333-34 n.7, 36 U.S.P.Q.2d (BNA) 1235, 1239 n.7 (D. Del. 1995).

III. The Court Is Not Being Asked To Determine Scientific Facts, But Rather To Decide Whether Deference Should Be Given To A District Court's Determination Of Such Facts On Appellate Review

DESA argues Petitioners are improperly asking the Court to rule on erroneous factual findings. This is simply wrong. The question posed by the Petition is directed to a purely legal issue — the proper standard of review to be used by the Federal Circuit when reviewing the claim construction of a district court. Here, if proper deference is given to the factual findings of the district court where the district court

properly interpreted the claims from the perspective of one skilled in the art and from a correct scientific perspective, then application of the correct standard of review will necessitate the Federal Circuit's reconsideration and reversal of its flawed claim construction. But that review is for the Federal Circuit. The issue for this Court is simply the proper standard of review to be applied by the Federal Circuit.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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